

VIII. Department of Workforce Development -- Jean Rogers, Division Administrator,
Division of Economic Support

The department requests the transfer of \$6,405,700 GPR in 1996-97 from the Committee's appropriation under s. 20.865(4)(a) to the appropriation under s. 20.445(3)(a) in the Department of Workforce Development for the operation of the Kids Information Data System (KIDS).

Governor's Recommendation

Modify the request to \$5,336,800 by removing funding for feeder data bases and reducing funding for PRWORA-related change orders related to financial institutions and license suspension, pending additional documentation and justification of costs.

CORRESPONDENCE MEMORANDUM

STATE OF WISCONSIN
Department of Administration

Date: December 10, 1996

To: Members, Joint Committee on Finance

From: Mark D. Bugher, Secretary
Department of Administration

Subject: S. 13.10 Request from the Department of Workforce Development for Release of Kids Information Data Systems Funds

Request

The department requests the transfer of \$6,405,700 GPR in FY97 from the Committee's appropriation under s. 20.865(4)(a) to the appropriation under s. 20.445(3)(a) in the Department of Workforce Development for operation of the Kids Information Data System (KIDS).

Background

The responsibility for KIDS, an automated, statewide child support information system, transferred from the Department of Health and Social Services (DHSS) to the Department of Workforce Development (DWD), effective July 1, 1996.

Statewide implementation was completed when Milwaukee County converted this September. Federal legislation (Public Law 104-35) extended the original deadline for the completion of all automated child support systems from October 1, 1995 to October 1, 1997. The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) extended the time within which states were eligible to receive enhanced federal match for the system development costs.

PRWORA also contained significant changes in federal child support law. States are or will be required to implement a variety of child support enforcement procedures or programs that are aimed at collecting more child support from noncustodial parents, especially those that owe past-due support. Most of the new requirements are effective October 1, 1996 unless a state, like Wisconsin, needs to pass state legislation before it is able to comply with the new requirement. In this situation, states are not required to implement the new requirements until after the first legislative session ends. The federal bill, however, defines this to mean after the first year of a two-year legislative cycle. Statutory language to implement these changes is currently being drafted. Many of the new requirements will have an impact on KIDS and the county child support agencies.

The Joint Committee on Finance (JCF) approved most of the funding recommended for KIDS in the Governor's biennial budget, but placed \$5,759,200 GPR in FY96 and \$7,522,100 GPR in FY97 in its supplemental appropriation under s. 20.865(4)(a). DHSS submitted one s. 13.10 request in September 1995, which resulted in \$2,316,400 GPR being released for FY96. The remaining FY96 funds (\$3,442,800 GPR) were not needed in FY96 because of a delay in statewide implementation. These funds rolled forward in the JCF appropriation, leaving a total of \$10,964,900 GPR available for the KIDS project in FY97. The Department of Workforce Development submitted a second s.13.10 request in May 1996 to fund the first 6 months of FY97. JCF released \$4,303,200 GPR of the FY97 funds, leaving \$6,661,700 GPR in the JCF supplemental appropriation. Of the \$6,661,700 in the JCF supplemental appropriation, \$3,218,900 is from FY97 and \$3,442,800 is from FY96.

Analysis

The department has completed a revised FY97 budget for the KIDS project. The following table shows the original budget, the budget proposed (and modified by JCF action) by DWD/DHSS for the May 1996 s.13.10 meeting, the revised budget being submitted for the December s.13.10 meeting and the difference between the "December budget" and the original "base". The annualized "May budget" is included because the May s.13.10 request was only for the first 6 months of FY97, but it was based on these assumptions for the full year. The table includes all funds numbers, with the GPR impact summarized at the bottom.

In general, the changes that are captured in the May budget are due to additional on-site support to help the counties convert to KIDS and differences between how the two departments charge the Division of Economic Support for information technology services. Changes in the December budget are primarily as a result of the new PRWORA requirements, contracting with Integrated Systems Solutions Corporation (ISSC) for the ongoing maintenance of the KIDS system, including W-2 change orders, and a reestimate of the Department of Administration's Infotech charges.

<u>Cost Components</u>	Original Act 27 FY97 Budget	Revised FY97 Budget -- Basis for May '96 s.13.10 Release	Revised FY97 Budget -- Basis for December s.13.10 Request	Difference of December Request from Original Budget
Staff-BITS/Contract	1,172,100	1,643,600	2,013,200	841,100
DWD LAN Service	479,300	860,100	860,100	380,800
Subscription Fee	1,942,600	0	0	(1,942,600)
	Original Act 27 FY97 Budget	Revised FY97 Budget -- Basis for May '96 s.13.10 Release	Revised FY97 Budget -- Basis for December s.13.10 Request	Difference of December Request from Original Budget
Transitional Systems Maint/ISSC	2,500,000	3,660,000	5,906,600	3,406,600
W2/Welfare Reform	1,000,000	1,000,000	5,000,000	4,000,000

Requirements-ISSC				
W2/Welfare Reform - Feeder Databases			1,673,300	1,673,300
Maintenance	514,100	182,400	330,800	(183,300)
Capital/Installation/Infrastructure upgrades	690,900	690,900	690,000	(900)
1-800 #, Help Desk and AVR	0	0	826,300	826,300
IT Main Frame	8,036,700	6,968,800	8,736,300	699,600
IT E-mail & EMX	221,000	120,000	63,100	(157,900)
Telecommunications	553,000	553,000	844,100	291,100
Centralized Mailing	3,319,100	3,238,900	3,238,900	(80,200)
Add'l On-site support	0	1,899,900	1,672,000	1,672,000
Credit Bureau Reports	0	0	50,000	50,000
General S&S	2,123,100	2,123,100	2,123,100	0
County Support	0	482,000	482,000	482,000

Total KIDS	22,551,900	23,422,700	34,509,800	11,957,900
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GPR Component	8,657,700		11,844,500	3,186,800
GPR Base for KIDS in DWD			<u>5,438,800</u>	
JCF Funding Requested			6,405,700	

JCF Funds available from FY96 (carried over)	3,442,800
JCF Funds available in FY97	<u>3,218,900</u>
Total Available	6,661,700
Less Request	<u>6,405,700</u>
Balance @ JCF	<u>256,000</u>

One difference between the budget and projected expenditures is due to the fact that the Bureau of Information Technology Services (BITS) at DWD bills its services to the Division of Economic Support (DES) under a different methodology than the Bureau of Information Services (BIS) did at DHSS. For example, BITS hourly rate per staffperson is higher but it does not charge a subscription fee to the division. In addition, it breaks out charges per full-time equivalent (FTE) employee and per device for LAN, equipment and maintenance. There are increased costs related to additional contract staff (4) that DWD estimates it needs as a result of PRWORA changes and a small amount of funding needed to pay BIS staff at DHSS who are performing data entry and data control functions for DWD on an interim basis. However, largely as a result of the elimination of the DHSS BIS subscription fee, total BITS charges are lower than when at DHSS.

In its budget submitted in May, the department requested additional funding for on-site support and county support. Counties had requested additional funding for training, staff overtime, etc. to ensure that the conversion to KIDS went as smoothly as possible. These

costs were higher than anticipated in part because the counties were uneasy switching to the KIDS system as quickly as the federal timeline required and in part because every delay in the implementation required counties that had not yet converted to maintain the child support data in both the format of their current system and in the KIDS format. DWD estimates that these onsite support costs will be slightly lower than estimated in the May budget. The on-site and county support is primarily one-time in nature.

Another major change reflected in the December request is an 18-month contract that DWD signed with ISSC to provide transitional systems management and some change orders through CY97. ISSC is the vendor responsible for the development and implementation of the federally required components of KIDS. ISSC's work in this area was completed by December 1995. It is currently developing and implementing components that were specified in the original KIDS request for proposal but not required by the federal government and for changes that the counties have requested as a result of their experience during the implementation process. It will also develop and implement change orders that are due to the W-2 program. These changes are likely to be completed by the end of CY97.

In projects like these, it is typical to require a one-year warranty period under which the vendor is held accountable for any problems that occur as part of the contract. Despite the fact that all counties did not convert to KIDS until September 1996, the original warranty period with ISSC will extend only until December 31, 1996. Because it is difficult to outsource the maintenance of the KIDS system until after the ISSC's warranty period has expired, DWD contracted with ISSC, in concert with BITS, to maintain the system through December 1997. This is longer than originally anticipated, but is reasonable given the delayed implementation of KIDS and the numerous change orders, including those related to W-2, that need to be completed. DWD's request indicates that the contract with ISSC will cost \$5.9 million in FY97. This includes funding for all of these change orders, including those related to W-2. The biennial budget assumed that an outsourced contract could be funded within the approved budget levels, but did not anticipate the W-2 change order. Signing this contract with ISSC contributes to the need for additional funding on top of the base amounts.

DWD's request also includes an additional \$5 million for change orders to implement the new federal child support requirements in the PRWORA legislation. These change orders include new hire reporting, distribution of child support payments and arrearages, paternity establishment, data exchanges, interstate enforcement, accessing financial information and license revocation. This \$5 million in changes orders is only estimated FY97 costs. DWD estimates that costs related to PRWORA changes could total \$11.5 million over a three year period by the time all required changes are implemented. The budgets for change orders in FY98 and FY99 will be included in the biennial budget.

Of the \$5 million, the largest change order relates to implementing the new hire reporting system. By October 1, 1997, all states are required to establish a system for collecting information from employers about newly hired employees. This information will be used to locate child support payers and implement immediate income withholding. Each state must send the new hire information to the federal government, which is creating its own databases

of national new hires and child support orders. This will greatly increase the ability to perform interstate child support enforcement actions. DWD estimates that implementing the new hire reporting system will cost approximately \$1.8 million in FY97 to develop an automated system in the Division of Unemployment Insurance that utilizes electronic data interchange, interactive voice response and internet, in addition to paper reporting, as ways that employers can report this information.

DWD has also estimated that the PRWORA requirements will have a fiscal impact on the information systems of other agencies or "feeder databases". One good example is that PRWORA requires DWD to conduct data exchanges with most state agencies and some private sector companies, such as cable television companies and utilities. DWD estimates that these costs may total \$5 million over a three year period, of which FY97's portion is \$1.7 million.

Another change in the KIDS budget is due to changes in the charges that the Department of Administration's Infotech charges the KIDS project for mainframe services. Earlier this year, Infotech and DHSS renegotiated the FY97 flat fee for mainframe charges related to KIDS. The FY97 flat fee was set lower than originally budgeted primarily because of the delayed implementation of the KIDS project. The flat fee agreement, however, also included a provision that if actual usage exceeded a 12% tolerance, the Division of Economic Support would be billed based on actual usage instead of the flat fee. Based on September usage, which is the first month when all counties have been using KIDS, the projected activity will invoke this provision of the agreement and DES will pay based on actual usage in FY97.

Finally, DWD's request contains funding for a 1-800 number, help desk and automated voice response service. These are features which allow payers and payees of child support to easily access account information, reduce county workload and are convenient for customers. These features could not be installed until KIDS was implemented in all counties.

It is clear that the PRWORA law will dictate many change orders to the KIDS system and may have a fiscal impact on other agency information systems. However, the fiscal impact of these mandated changes can only be estimated at this time. Additional documentation and justification is needed to justify the increased change order and feeder databases budgets. In recognition, however, that ISSC needs to start working on many of these change orders as soon as possible, a portion of the change order budget could be released now. In particular, DWD needs to refine the change order estimates for financial institutions and license suspensions. If the better information is available in time, it can be incorporated into the biennial budget. In addition, the change order expenditures could be spread evenly across the three year period as opposed to DWD's request which would place 44% of the three-year budget in FY97. These modifications will result in a reduction of the change order request from \$5 million to \$2.5 million.

Given the fact that the new child support requirements do not have to be implemented until January 1998, it is possible to delay funding for feeder databases until FY98 and FY99. If

funds are appropriated as part of the biennial budget for this purpose, agencies that need these funds should be required to justify their costs to DOA before funds are released.

If the FY97 change order budget is reduced by \$2.5 million and no funding is provided for feeder data bases in FY97, the s. 13.10 request could be reduced by \$1,068,900 GPR to \$5,336,800. This leaves \$1,324,900 GPR in JCF's appropriation in FY97.

DWD has indicated that its request is ongoing, not one-time. Preliminary numbers for FY98 and FY99 indicate that a substantial portion of the funds requested will be needed on an ongoing basis. However, for the purposes of this request, these funds should be treated as one-time in nature. If it is determined that ongoing funding is needed in FY98 and FY99, these increases will be built into the Governor's biennial budget.

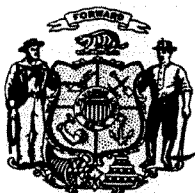
Recommendation

Modify the request to \$5,336,800 by removing funding for feeder data bases and reducing funding for PRWORA-related change orders related to financial institutions and license suspension, pending additional documentation and justification of costs.

Prepared by: Jennifer A. Sajna (266-8219)

Tommy G. Thompson
Governor

Richard C. Wegner
Acting Secretary



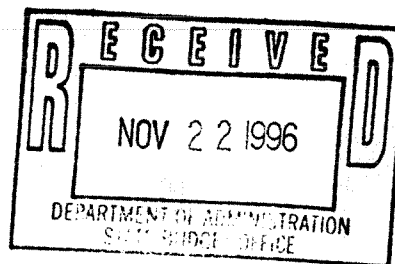
OFFICE OF THE SECRETARY
201 East Washington Avenue
P.O. Box 7946
Madison, WI 53707-7946
Telephone: (608) 266-7552
FAX: (608) 266-1784

State of Wisconsin
Department of Workforce Development

November 21, 1996

The Honorable Brian Burke
Senate Chair, Joint Committee on Finance
100 North Hamilton Street, Room 302
Madison, WI 53702

The Honorable Ben Brancel
Assembly Chair, Joint Committee on Finance
119 Martin Luther King Jr. Boulevard, Suite LL2
Madison, WI 53702



Dear Senator Burke and Representative Brancel:

The Department of Workforce Development requests approval of the Joint Committee on Finance under s. 13.10 to transfer \$6,405,700 in 1996-97 from the Committee's appropriation under s. 20.865(4)(a) to DWD's appropriation under s. 20.445(3)(a) for the operation of the Kids Information Data System (KIDS).

Act 27 provided funding of \$16,213,400 (\$3,553,800 GPR) in 1995-96 and \$2,951,600 (\$1,135,600 GPR) in 1996-97 for the development and operation of KIDS. In addition, the Joint Committee on Finance placed a total of \$5,759,200 GPR in 1995-96 and \$7,522,100 GPR in 1996-97 in its supplemental appropriation and directed the Department of Health and Social Services to request the funding under s. 13.10 when bids are received from private vendors for ongoing maintenance of KIDS. In October 1995 the JFC approved the release to DHSS of \$2,316,400 GPR for KIDS operations. At the time it was anticipated that these funds would be sufficient to fund KIDS through March 1996. However, statewide implementation of KIDS was delayed, so the funding released was sufficient to fund KIDS through June 1996. This left a balance of \$3,442,800 GPR from 1995-96 and all of the \$7,522,100 GPR in 1996-97, for a total of \$10,964,900 GPR in the JFC appropriation available for KIDS in 1996-97.

In May 1996, DWD submitted a request for release of additional funding of \$5,470,200 GPR from the JFC. This funding was requested to cover anticipated expenditures for the period July 1, 1996 to December 31, 1996. It was anticipated at that time that total expenditures for 1996-97 would be \$26,372,600 (\$10,433,200 GPR). The JFC approved the release of \$4,303,200 GPR from its appropriation. These funds, together with federal matching funds of \$6,493,100 resulted in a revised base funding level of \$13,747,900 (\$5,438,800 GPR).

The passage of the Parental Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 at the national level will result in significant changes to the child support program and thus to KIDS. Two significant items mandated by this act are new hire reporting and centralized receipt and disbursement. As a result of these and other mandates, the Department is anticipating a number of change orders are

needed over the next thirty months. The federal government has authorized enhanced funding at an 80% match rate for these systems changes, but the funding amount is fixed at \$400 million through September 2001. The allocation of these funds will be based on the size of the child support caseload in a state and the level of automation needed to meet these requirements. This request budgets the change orders to KIDS required as a result of the PRWORA at the 80% federal match rate.

The current DES estimate is that the Department will need total funding of \$34,509,800 (\$11,844,500 GPR) for operation of and further modifications to KIDS in 1996-97. The attached charts detail the various elements that make up this request. The main difference in the \$34,509,800 currently estimated to be needed in 1996-97 and the \$26,372,600 figure in the May s. 13.10 request is the need for additional funds for change orders to KIDS and feeder data bases modifications resulting from the federal law changes, the finalization of the contract for maintenance of the system, and increased Infotech charges resulting from the statewide implementation of KIDS.

The recent changes at the federal level have resulted in the need for change in a number of areas affecting KIDS. The federal changes require significant programming changes to KIDS. This request would provide \$3,141,800 (\$628,400 GPR) in 1996-97 for payments to the KIDS contractor, Integrated Systems Solutions Corp. (ISSC), for programming changes to KIDS necessary to implement the federal law changes. These change orders relate to new hire reporting, distribution of child support payments, paternity establishment, data exchanges, interstate enforcement, accessing financial information and license revocation.

New hire reporting is mandated by October 1, 1997 and requires states to establish a system for collecting information from employers regarding newly hired employees so that child support payers can be located and income withholding implemented in a timely manner. This data then must be transferred to the federal government for input into a national registry of child support orders. The Department proposes spending \$1,858,200 (\$371,600 GPR) in 1996-97 to develop an automated system in the Division of Unemployment Insurance that utilizes electronic data interchange (EI), interactive voice response (IVR) and the internet, in addition to paper reporting, to provide employers a wide array of options for submitting the required data.

The PRWORA requirements also have an impact on information systems of other agencies. The Department is budgeting \$1,673,300 (\$568,900 GPR) in 1996-97 for payments to other agencies' for modifications to their data bases as a result of the many new federal requirements on this Department.

The Department also anticipates the need for additional technology services from its Bureau of Information Technology Services (BITS) for KIDS at a cost of \$334,200 in 1996-97. These staff will serve as technical resources for KIDS, provide quality assurance and monitoring of the system and assist in testing of program changes.

Many of these federal requirements have relatively short time frames for states to come into compliance. Therefore, it is imperative that the systems work to meet these requirements begin immediately in order for the work to be completed in a timely manner and allow the Department to avoid potential sanctions for noncompliance.

The Honorable Brian Burke
The Honorable Scott Jensen
November 21, 1996
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The Department entered into an 18-month contract with ISSC to provide transitional systems management and some change orders through CY 1997. The change order reflected in this amount relate to W-2 and items which the counties have requested but were not included in the original design. This amount does not include the change orders resulting from the new federal legislation. This contract calls for six equal payment of \$1,476,700 quarterly, or \$5,906,800 (\$2,008,300 GPR) in 1996-97.

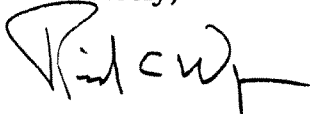
Another significant change in this request from the previous one is in Infotech charges. The Department currently has a flat fee contract with DOA for mainframe costs associated with running KIDS. However, this contract calls for DES to pay DOA based on actual usage if the activity exceeds a 12% tolerance. In September when all counties were on KIDS, there was significant increase in KIDS mainframe activity. Assuming this trend continues, actual usage will exceed the flat fee by about 20%, which will invoke the provision in the flat fee agreement that DES pay based on actual usage for 1996-97. It is estimated that this will result in total Infotech mainframe charges of \$8,736,300 (\$3,828,300 GPR) in 1996-97.

The other significant item in this request for which no funding was previously identified relates to costs incurred for an 800 number, automated voice response unit and help desk support. These items allow the Department to respond to the needs of county child support agencies when they have questions related to the system and to child support payors and payees. By providing these services, the Department is able to meet the needs of its customers in a timely manner while reducing staff time at the local level. This request includes \$826,300 (\$280,900 GPR) for these services in 1996-97.

Attached is a chart detailing this s. 13.10 request. Providing the \$6,405,700 GPR funding requested in 1996-97 will result in a balance in the JFC appropriation of \$256,000 in 1996-97.

Ms. Jean Rogers, Administrator for the Division of Economic Support, will represent the Department at the s. 13.10 meeting.

Sincerely,



Richard C. Wegner
Acting Secretary

KIDS s. 13.10 REQUEST

November 21, 1996

KIDS SFY 97 BUDGET			
	Total	GPR	FFP
KIDS ISP			
Staff-BITS/Contract	2,013,200	637,700	1,375,500
Transitional Systems Maint.-ISSC	5,906,600	2,008,200	3,898,400
W2/Welform Reform Requirements-ISSC	5,000,000	1,000,000	4,000,000
W2/Welform Reform - Feeder Data Bases	1,673,300	568,900	1,104,400
DWD LAN Service	860,100	292,400	567,700
Subscription Fee	0	-	-
Maintenance	330,800	112,500	218,300
Capital/Installation/infrastructure upgrades	690,000	234,600	455,400
IT Main Frame	8,736,300	3,828,300	4,908,000
1-800 numbers, Help Desk and AVR	826,300	280,900	545,400
IT E-mail & EMX	63,100	21,500	41,600
Telecommunications	844,100	287,000	557,100
	26,943,800	9,272,000	17,671,800
KIDS S&S			
Centralized Mailing	3,238,900	1,101,200	2,137,700
Add'l On-site support	1,672,000	568,500	1,103,500
Credit Bureau Reports	50,000	17,000	33,000
General S&S	2,123,100	721,900	1,401,200
County Support	482,000	163,900	318,100
	7,566,000	2,572,500	4,993,500
Total KIDS	\$34,509,800	\$11,844,500	\$22,665,300
GPR Base Funding		\$5,438,800	
JFC Funding Requested		6,405,700	
Total GPR		<u>\$11,844,500</u>	
<u>JFC Appropriation Balance</u>			
Balance in JFC Appropriation for KIDS		\$6,661,700	
Dec. 1996 s. 13.10 Request		<u>6,405,700</u>	
Balance		<u>\$256,000</u>	



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

December 16, 1996

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Request for Expenditure of Federal Welfare Block Grant Funds: Agenda Item IX(A)

This memorandum addresses a November 27, 1996, request, submitted to the Joint Committee on Finance, by the Governor relating to expenditures of federal block grant funds by the Department of Workforce Development (DWD) for public assistance and child care programs in 1996-97. Total expenditures under this request are \$439.0 million (\$270.2 million FED and \$168.2 million GPR and \$0.6 million PR). In addition to these expenditures, the Governor's proposal includes several policy changes that are intended to facilitate the transition from the current aid to families with dependent children (AFDC) program to the Wisconsin Works (W-2) program. The policy changes proposed by the Governor are addressed in a separate paper, prepared by this office, identified as "Agenda Item IX(B)."

BACKGROUND

Federal Welfare Reform Legislation

On August 22, 1996, President Clinton signed the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193), which replaces the AFDC and job opportunities and basic skills (JOBS) programs with a block grant program called temporary assistance to needy families (TANF). Under the TANF program, public assistance benefits and administrative costs will no longer be funded with a federal/state matching arrangement. Instead, federal block grants will be provided to eligible states, with a required contribution of state funds under maintenance of effort provisions.

The federal legislation also imposes work requirements and time limits on recipients of TANF benefits and eliminates the federal entitlement to public assistance that was provided under

the AFDC program. In addition, the federal legislation consolidates the federal child care funding sources for AFDC recipients and at-risk families with the child care development block grant. The federal legislation also modifies provisions relating to food stamps and child nutrition, supplemental security income (SSI) for children, child support enforcement, benefits for legal immigrants and the social services block grant. The appendix to this paper describes the major TANF and child care provisions of P.L. 104-193.

The Department of Workforce Development submitted its initial TANF plan to the federal government on August 22, 1996. The initial plan relates to program expenditures in federal fiscal year 1996 and 1997. Wisconsin's plan has been deemed complete by the federal government, effective August 22.

Required Joint Committee on Finance Approval

Under 1995 Wisconsin Act 132, the Governor may not administer, and state agencies may not encumber or expend, federal block grant funds authorized under any federal law enacted after August 31, 1995, without notifying the Joint Committee on Finance of the grant and the proposed expenditures. If the Co-chairs of the Committee do not notify the Governor within 14 working days after receiving the request that a meeting of the Committee has been scheduled to review the proposal, the moneys may be expended as proposed by the Governor. If a meeting is scheduled, no moneys may be expended without approval by the Committee.

Because the federal welfare reform legislation was enacted after August 31, 1995, expenditure of the TANF and child care block grants is subject to the review process established in Act 132.

In order to provide the Committee with an opportunity to thoroughly review the request, the Co-chairs placed the item on the Committee's s. 13.10 agenda.

GOVERNOR'S REQUEST

On November 27, 1996, the Committee received a request from the Governor, pursuant to Act 132, for expenditure of federal block grant funds under the TANF program. The Governor's request includes three major components. First, approval by the Committee is requested for the expenditure of federal TANF and child care block grants and existing state appropriations for public assistance in 1996-97. Second, the Governor requests that the Committee retain funding related to the state's current public assistance programs and the start-up of W-2 in its appropriation in order to meet potential federal maintenance of effort requirements. Third, the Governor's request notifies the Committee of several proposed policy changes to the AFDC program.

This paper addresses the first two components of the Governor's request. As noted, a separate paper has been prepared regarding the policy changes proposed by the administration. Under Act 132, the federal block grant funds may not be expended without the Committee's approval. Therefore, the Committee must take action on the first portion of the request. The component of the Governor's request relating to funding in the Committee's appropriation does not require action by the Committee.

The remaining sections of this paper provide information about the Governor's proposed expenditure plan, including discussions regarding individual program expenses, use of child care funding, the federal maintenance of effort requirements and the impact of the request on the state general fund. Following these sections, information is provided regarding use of the 1996-97 ending balance of TANF funds in the next biennium and current options that may be considered by the Committee in modifying the request. Finally, specific alternatives are identified.

The request addresses the expenditure of both the federal TANF block grant and federal funding for child care in the 1996-97 state fiscal year. These revenues, along with existing GPR and PR appropriations, will fund the state's current AFDC and child care programs as well as costs associated with the transition to the W-2 program. The Governor's request would not increase or decrease GPR funding.

This request only relates to expenditures in the 1996-97 fiscal year. The W-2 program, which will be partially funded with TANF block grants, is expected to be implemented statewide by October 1, 1997. Revenues and expenditures associated with W-2 and other public assistance programs in the 1997-99 biennium will be included as part of the Governor's biennial budget bill.

The Governor's current request is outlined in Table 1.

TABLE 1**Proposed Expenditures for Public Assistance and Child Care
1996-97****REVENUES**

Federal TANF Block Grant and AFDC Matching Funds	\$303,903,600
Federal Child Care Funds	51,272,600
Current State AFDC Funding	146,024,800
Current State Child Care Funding	<u>22,771,900</u>
Total Revenues	\$523,972,900

EXPENDITURES**Cash Assistance, Employment and Training, Administration**

AFDC Benefits	\$222,584,900
JOBS Services (Excluding Child Care)	56,727,800
State Administration	21,494,700
County Income Maintenance Administration Aids	19,949,400
Local Match Contracts	4,500,000
Emergency Assistance	3,300,000
Learnfare Case Management	2,619,000
Partnership for Full Employment (PFE)	2,163,300
W-2 Start-Up: CARES Computer System	1,963,500
Kinship Care Assessments	1,851,100
Children First: Statewide Expansion	864,300
County Fraud and Front End Verification	764,300
W-2 Agency Start-up: Milwaukee County	500,000
Worker's Compensation Pool	500,000
School-to-Work	<u>122,500</u>
Subtotal	\$339,904,800

Child Care

AFDC-Related Child Care	47,700,500
Low-Income Child Care	41,940,200
Indirect Child Care Services	<u>9,403,800</u>
Subtotal	\$99,044,500

Total Expenditures	\$438,949,300
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Balance	\$85,023,600
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As shown in Table 1, it is estimated that \$355.2 million FED will be available for public assistance programs in 1996-97. This includes \$303.9 million in TANF and AFDC matching funds (\$273.3 million from the TANF block grant for the period beginning on August 22, 1996, and ending on June 30, 1997, plus \$30.6 million in federal AFDC matching funds for the period prior to August 22, 1996) and federal child care funding of \$51.3 million. State funds are currently budgeted at \$168.8 million in 1996-97 (\$145.4 million GPR and \$0.6 million PR for the AFDC program and \$22.8 million for child care). Therefore, total federal and state funding is estimated at \$524.0 million.

Total expenditures are estimated to be \$439.0 million, leaving an ending balance of \$85.0 million in federal TANF funds to be carried over to the 1997-99 biennium. The Governor's request indicates that these funds will be needed in the next biennium to help fund child care and child welfare programs.

The \$439.0 million funding amount is a net increase of \$7.3 million over the current state and federal appropriations for these programs. The net funding increase includes additional expenditures of \$41.8 million for child care, \$10.3 million for the JOBS program and \$9.7 million for a number of other activities described below. These increases, which total \$61.9 million, are partially offset by a \$53.5 million reduction in the amount appropriated for AFDC benefits and a \$1.1 million decrease in funding for kinship care assessments. Several areas of the Governor's request would not modify current funding levels. These include county income maintenance administration, emergency assistance, Learnfare case management and local matching funds and county fraud and front-end verification. The following sections provide additional detail on the Governor's proposal.

AFDC Benefits

The Department's proposal includes \$222.6 million for AFDC benefits. As noted, this amount is \$53.5 million less than the current state and federal appropriations. The \$222.6 million amount is based on an average monthly caseload of 48,434, which is 25.5% lower than the January, 1996, estimate of 65,027 cases. This figure also assumes an average benefit of \$426.

The \$222.6 million amount includes \$4 million to cover the estimated cost of the federal share of the \$50 pass-through of AFDC child support collections. Under previous federal law, recipients of AFDC were allowed to keep the first \$50 of any monthly child support payment without affecting their AFDC allowance. The remaining portion of the child support payment was divided between the state and federal government in proportion to funding used to support the AFDC program (approximately 60% federal and 40% state).

The 1996 federal welfare reform legislation modified these provisions to eliminate the \$50 pass-through. Under the new federal law, states must pay to the federal government the federal share of support collected on behalf of AFDC families (approximately 60%). States may retain or distribute to the family any remaining amount after the federal share is deducted. The \$4

million included in the Department's proposal reflects the administration's intent to continue to provide the \$50 pass-through to AFDC families.

It appears that the Department's proposed funding should be increased by \$2.4 million due to two offsetting factors. First, more recent data show actual caseloads and average benefit payments to be less than the Department's estimates. The actual AFDC caseload for October, 1996, was 48,451, approximately 960 cases lower than the Department's estimated caseload for that month. The average grant amount in October was \$407, a reduction of \$20 from the Department's estimate for that month. Based on these figures, it appears that the estimated average monthly caseload could be reduced to 47,750; average benefits could be decreased to \$407. These adjustments would reduce estimated annual expenditures to \$206.6 million, a decrease of \$16.1 million from the Department's estimate.

Second, the Department's proposed funding includes a state and federal child support offset of \$41.0 million. However, because AFDC benefits will be funded with a federal block grant rather than matching funds, the federal share of AFDC-related child support payments will no longer be available as an offset to AFDC benefits paid by the state. Therefore, only \$22.5 million of the \$41.0 million will be available as an offset to AFDC expenditures, which would increase the net cost of these benefits by \$18.5 million.

Based on a combination of these two factors, funding for AFDC benefits is estimated at \$225 million, \$2.4 million more than the requested \$222.6 million.

JOBS Services

The JOBS program provides employment and training services to AFDC recipients. The Department's proposal includes \$56.7 million for the JOBS program. Estimated expenditures are based on the current appropriation plus an additional \$10.3 million to allow counties to engage most current welfare recipients in JOBS program activities before the implementation of the W-2 program. The additional \$10.3 million assumes an increase in the JOBS participation rate from 46% for AFDC-R recipients and 60% for AFDC-U recipients to 90% for both AFDC categories. Funding for JOBS child care is included separately in the proposal.

State Administration

The Department's proposal includes \$21.5 million for state administration including staff, training, evaluation, modifications to DWD's program revenue-service (PR-S) general administration cost allocation and CARES operations. Funding for staff and training is based on current appropriations. Funding for evaluations is based on the current appropriation for studies to evaluate existing welfare reform initiatives. The Department anticipates that evaluations for some welfare initiatives will no longer be necessary as the initiative is phased out during the last

six months of 1996-97. As these evaluations are phased out, funding will be provided to the Legislative Audit Bureau to begin evaluation of the W-2 program.

Funding for modifications to DWD's PR-S amount and CARES operations include some new funding amounts:

Modifications to DWD's PR-S Amount: The proposal includes \$2.8 million in additional funding for the Division of Economic Support (DES) under modifications to DWD's PR-S administrative services cost appropriation. This funding is based on (a) changes in fees, largely due to increased costs associated with the use of contracted programmers and the disparity between contractor costs versus the current state hourly billing rate; (b) the cost of development and implementation of a series of subsystems to WISMART; and (c) a change in the cost allocation among divisions within the Department to reflect a higher use of general administration services by DES.

CARES operations: The Client Assistance for Reemployment and Economic Support (CARES) computer system is used by county income maintenance workers in determining eligibility and benefit levels for public assistance recipients. The Department's proposal includes \$8.6 million for the AFDC portion of CARES operations. This funding is based on current appropriations allocated to AFDC of \$7.4 million plus an additional \$1.2 million for network connectivity and support, software development and maintenance, LAN services, hardware and software purchases and telecommunications expenses. The Department only includes costs allocated to AFDC and excludes costs allocated to food stamps and MA.

The Department's proposal inadvertently omits funding for state fraud and front-end verification (FEV). Based on current appropriations, estimated funding for these activities is \$482,900. Including this amount would increase the funding for state administration to \$21,977,600.

County Income Maintenance Administration

Under state law, counties are required to enter into annual contracts with DWD for the local administration of the AFDC, food stamp, and medical assistance (MA) programs. The Department's proposal includes \$19.9 million to reimburse counties for costs associated with these activities. The \$19.9 million amount reflects costs allocated to the AFDC portion of current appropriations for county administration. Costs allocated to administration of food stamps and MA are covered by existing GPR appropriations and federal matching funds.

Emergency Assistance

The emergency assistance program provides assistance to needy families with dependent children in cases of fire, flood, natural disaster, homelessness, or energy crisis. The Department's proposal includes \$3,300,000 for emergency assistance, slightly less than the current appropriation amount of \$3,319,400.

Learnfare Case Management/Local Match Grants

Under the Learnfare program, adolescent and, in some pilot areas, pre-teen recipients of AFDC must attend school or possess a high school diploma as a condition of receiving AFDC benefits. The W-2 legislation (1995 Wisconsin Act 289) expands Learnfare to preteens statewide beginning in the Fall, 1997, school year, and retains the Learnfare requirement as part of W-2. Learnfare case management services provide help to ensure regular attendance at school and improve the achievement records of adolescents and pre-teens subject to the Learnfare requirement. The proposal includes \$2.6 million for Learnfare case management services, the same amount as is in the current appropriations.

The Department's proposal also includes \$4.5 million to provide matching funds to local governments for services related to the Learnfare program. These funds were previously paid from federal waiver savings; it appears that waiver savings will no longer be available under the TANF provisions. The \$4.5 million amount is based on current contract levels for Learnfare services.

Partnership for Full Employment

The Partnership for Full Employment (PFE) is a consolidated system of employment and training services for job seekers and employers through which W-2 and other employment and training programs will be provided. The Department estimates that \$5.0 million will be needed in 1996-97 to integrate W-2 into the PFE program. The Department's request includes \$2.2 million in new funding for costs related to information technology described below. The remaining \$2.8 million will be provided from base funding for the DES.

The \$2.2 million amount in the proposal includes: (a) an electronic system for verifying and entering job orders directly; (b) support for the PFE information technology infrastructure including Job Center workstations; (c) integration of W-2 agencies with the existing Job Center structure and development of new site locations; (d) enhancements to JobNet; (e) development of a case management system for PFE; and (f) development of an assessment system to create individualized employment plans for those seeking jobs.

W-2 Start-Up: CARES Computer System

The Department's proposal includes new funding of \$2.0 million for hardware and software needs associated with the CARES system. This funding amount is based on projected costs of modifications to the CARES system to accommodate implementation of W-2, a 50% subsidy of hardware and software needs of W-2 agencies, and funding for the CARES-unemployment insurance interface to allow access to the unemployment insurance system to verify income of AFDC and W-2 recipients. The Department's funding estimate includes only those costs allocated to AFDC and excludes costs allocated to food stamps and MA.

NLRR/Kinship Assessments

Under the current AFDC program, children placed with a non-legally responsible relative (NLRR) may be eligible for AFDC benefits. Under Act 289, children currently placed with an NLRR will be placed in kinship care or foster care, because such families lack an eligible casehead for participation in a W-2 employment position. Act 289 requires an assessment and background investigation of each NLRR under AFDC to determine if the relative will be eligible for kinship care payments or foster care payments under the W-2 program.

The Department's proposal includes \$1,851,100 for these assessments. This funding is based on costs for assessments of \$275 each for kinship care and \$400 each for foster care. This funding also assumes that 23.5% of current NLRR cases will opt not to participate in kinship care and thus will not require an assessment. Further, this funding amount is a reduction from the amount appropriated in Act 289 because the assessments will begin at a later date than previously anticipated. It should be noted that, under Act 289, assessments must be completed by July 1, 1997. The Department will seek statutory language to extend this deadline.

It appears that the Department's proposed funding for kinship care assessments could be decreased by \$876,800. The Department's proposed funding amount is based on the number of children in NLRR families. However, under Act 289, each NLRR family is to be assessed, not each child. Based upon the number of cases, funding for these assessments could be reduced to \$974,300.

Children First

The Children First program provides job services and work experience to non-custodial parents who fail to pay child support or meet their children's need for support as a result of unemployment or underemployment. Currently, the Children First program is operating in 32 counties. The Department's proposal includes \$864,300 for the Children First program. This funding amount is based on the current appropriation of \$412,400 plus an additional amount for expanding the program statewide beginning in January, 1997. The fiscal note for Act 289 assumed that Children First would be expanded statewide in the 1997-98 fiscal year.

County Fraud-Front End Verification

The Department's proposal includes \$764,300 for county fraud investigations and front end verification. This funding amount is based on the current appropriation. The amount in Table 1 includes only those costs allocated to AFDC, and excludes the portion of the funding allocated to food stamps and MA.

W-2 Agency Start-up: Milwaukee County

The Department's proposal includes \$500,000 for a contract with the Milwaukee County Private Industry Council (PIC) to coordinate the administration of W-2 among the various regions in Milwaukee County. If an acceptable contract is obtained, the Milwaukee PIC would work with DWD to develop procedures to administer W-2, negotiate contracts with W-2 agencies, take actions to improve performance of W-2 agencies or correct substandard performance, and develop positive relations with Milwaukee County employers and encourage employers to utilize Job Centers when hiring. If an acceptable contract cannot be agreed upon with the Milwaukee PIC, the Department plans to contract with another organization. The annual contract amount is estimated at \$1,000,000. The \$500,000 amount in Table 1 is for the last six months of 1996-97.

Worker's Compensation Risk Pool

The Department has arranged for worker's compensation coverage for JOBS program participants in work activities. The Department's plan covers all types of work experience situations and provides complete coverage for any JOBS participant, and will provide coverage for any W-2 participant working in community service jobs or transitional placements.

Awards for worker's compensation claims of up to \$350,000 are paid by DWD. Wausau Insurance processes claims and insures for catastrophic injuries in excess of \$350,000. Work program agencies are charged for the cost of the coverage directly against their JOBS contract. The Department currently charges JOBS agencies \$175 per quarter per work experience recipient, which includes \$24 for the cost of the Wausau insurance contract, with the remainder used to build a risk pool to cover the amount the agency would have to pay in the event of a claim.

The Department's proposal includes new funding of \$500,000 to be used to establish a risk pool for worker's compensation coverage of JOBS participants and W-2 recipients. By establishing this risk pool, the Department estimates it could lower the quarterly premium rate to \$50, which would include the cost of the Wausau insurance contract plus an additional amount to replenish the risk pool to offset claims.

School-to-Work

The school-to-work program provides programs and curricular changes intended to better prepare secondary school pupils to enter the workforce immediately following high school or after some type of postsecondary education.

The Department's proposal includes \$122,500 for 3.5 positions to expand and further develop the school-to-work program to address the needs of low-income families and children. These positions would develop programs for special populations, connect the school-to-work program with the PFE/Job Center system, and oversee programs in Milwaukee. This funding is based on an estimated cost allocation associated with serving W-2 eligible youth. The 3.5 positions would be reallocated from vacancies in other divisions of the Department. The annual cost of these positions is \$245,000; the \$122,500 amount in Table 1 is for the last six months of 1996-97.

Child Care

The proposal includes \$99.0 million for child care expenditures in 1996-97, an increase of \$41.8 million over the current state and federal appropriations. The increased funding is all federal revenue. As Table 1 indicates, federal child care funding is estimated at \$51.3 million in 1996-97. This amount is higher than the current federal funding amounts by \$16.8 million. In addition to these extra funds, \$25 million in TANF revenues would be used for child care.

As shown in Table 1, \$47.7 million would be allocated to AFDC-related child care expenditures, which includes child care for JOBS participants, transitional child care for former AFDC recipients (provided for 12 months) and child care for AFDC recipients who are employed. The \$47.7 million amount is an increase of \$16.4 million over the current appropriations. This funding reflects current demand for these services and expansion of the JOBS program to cover all eligible recipients.

Funding of \$41.9 million would be provided for low-income and at-risk child care, an increase of \$20.4 million over the current \$21.5 million funding level. This additional funding is intended to eliminate waiting lists for these services.

A total of \$9.4 million would be provided for indirect child care services and administration, an increase of \$5.0 million over current law. Table 2 lists the allocation of this funding and the resulting funding levels for the various functions. As shown in Table 2, approximately half of this increase (\$2,330,000) would be used as grants to help expand the supply of child care.

TABLE 2

**Proposed Funding For
Indirect Child Care Services and Administration**

<u>Use of Funding</u>	<u>Current Funding</u>	<u>Proposed Funding</u>	<u>Proposed Increase</u>
Start-up and Expansion Grants	\$226,400	\$2,556,400	\$2,330,000
Child Care Resource and Referral	960,000	1,785,000	925,000
Local Child Care Automation	0	750,000	750,000
Training and Technical Assistance	450,000	1,030,000	580,000
Licensing Staff	1,026,800	1,264,000	237,200
Quality Improvement	1,542,900	1,712,900	170,000
Office of Child Care	<u>197,700</u>	<u>305,500</u>	<u>107,800</u>
TOTAL	\$4,403,800	\$9,403,800	\$5,000,000

Cost Allocation Methodology

As noted above, funding for county and state administration, welfare fraud programs and the CARES computer system are, in part, based on certain cost allocation formulas which are used to determine the portion of expenditures allocated to AFDC or W-2. The Department's proposed funding is based on a revised formula that allocates more costs to the medical assistance program and reduced costs to the AFDC or W-2 programs. Under this new formula, additional federal revenues may be obtained, because administrative costs of the MA program continue to be funded with a matching arrangement rather than a block grant. However, the Department is awaiting federal approval of this new cost allocation formula.

USE OF CHILD CARE FUNDS

Child Care Copayments and the Governor's Child Care Workgroup

A recent concern with the transition to W-2 is the level of required copayments for working parents receiving subsidized child care. Initially, as part of the W-2 child care program implementation, counties were notified on June 26, 1996, that new, higher copayments that were anticipated during passage of Act 289, would be implemented for low-income and transitional child care, beginning August 1, 1996. However, as a result of concerns that these new copayments were too burdensome in certain cases, on August 2, 1996, the Governor directed DWD to withdraw the new emergency rules to suspend the new copayment schedule immediately. In addition, the Governor established a Child Care Workgroup to examine the copayment issue and other issues related to promoting adequate child care services under W-2.

At the November 25, 1996, meeting of the Governor's Child Care Workgroup, a final recommendation, in terms of general requirements, was reached for a new child care copayment schedule. The Workgroup directed staff at the Office of Child Care to establish a specific copayment schedule for submission to the Governor that would satisfy the following requirements:

Budgetary Limitation: State costs for child care subsidies under the new copayment schedule would not exceed the amount of funding originally budgeted for child care under W-2 in the 1997-99 biennium (\$158.5 million in 1997-98 and \$180.2 million in 1998-99).

Type of Copayment: The copayment would be a flat fee (rather than a percentage of the cost of care) based on family income as a percentage of the federal poverty level, the number of children in care, and the number of parents in the family.

Number of Children and Copayment: Although the required copayment would increase with the number of children receiving child care to retain an incentive for smaller families, the increase in the copayment would be modest and structured to be within the family's ability to pay.

Size of Copayment: The copayment schedule would be structured so that the required copayment would not exceed 14% to 16% of gross income, even for families with a large number of children in child care.

Discount for Use of Certified Care: The required copayment would be reduced 30% if the family used certified child care rather than licensed child care. The discount would be the same for either type of certified care.

Eligibility Cut-Off: Initial eligibility for subsidized child care would be limited to families with income at or below 165% of poverty, but once a family is receiving subsidized child

care, the family would retain eligibility until income exceeded 200% of the federal poverty level.

Although the specific recommendation of the Workgroup has not yet been finalized, an example of the structure of the copayment schedule that provides some indication of the specific copayments is presented in Attachment 1. The schedule in Attachment 1 is an option considered by the Workgroup that was chosen as the basis for the final recommendation with the exception that a 30% discount for certified care be established rather than the 20% discount that is built into the schedule in Attachment 1. The Workgroup specified that the licensed care rates could be increased to achieve this 30% differential.

The Governor's Child Care Workgroup did not consider the transition for current child care recipients to the new copayment schedule. It is possible that DWD would implement some transition for current recipients, but it is unclear what that transition would be. New applicants for child care would likely be subject to the new copayment schedule once it is approved by the Governor, and emergency rules are promulgated by DWD.

Attachment 2 provides a number of tables that illustrate the different copayments that would be required under current law, the W-2 copayment schedule that was anticipated under Act 289 and suspended in August, 1996, and the copayments that would be required under the 20% discount option considered by the Governor's Child Care Workgroup. Monthly income figures are included in Attachment 2 to allow comparison of the required copayments to income. It should be noted that under current law and the 20% discount option, a family would not be eligible for child care subsidies if income exceeded 165% of the federal poverty level, but once receiving a child care subsidy, the family can continue to receive a subsidy until income exceeds 200% of the federal poverty level (225% of the poverty level under current law). For families with income between 165% and 225% of poverty, Attachment 2 indicates the copayment for existing recipients; for new applicants, the copayments would be higher and equal to the cost of care.

As mentioned previously, the 20% discount option is not the final recommendation of the Governor's Child Care Workgroup, and in the November 25, meeting, the Workgroup directed staff to implement a 30% discount for certified care, and specified that the licensed care copayments could be raised to create a 30% differential. This change could increase the required copayments for licensed care indicated in Attachment 1 by 14%.

Ability of Proposed Funding to Meet Demand for Child Care Services

Since surplus funding exists for 1996-97, additional amounts could be added to meet child care needs, if it is needed. This section examines the ability of the proposed funding to meet the demand for child care services in this fiscal year with special attention to whether the additional funding for low-income child care can eliminate the waiting list for child care services.

AFDC-Related Child Care. Based on current usage of AFDC-related child care services, the proposed funding amounts of the Governor's request appear to be reasonable. However, the AFDC program has changed significantly since March, 1996, when the self-sufficiency first and pay-for-performance waivers were implemented. Since that time, AFDC caseloads have fallen, but the demand for transitional and JOBS child care has increased as more recipients move into unsubsidized jobs and work activities under the JOBS program. In addition, as mentioned, the Department intends to implement a number of other modifications to the AFDC program early next year. These changes could also affect the demand for AFDC child care.

Low Income Child Care and the Waiting List for Child Care. In March and September of each year, the Department surveys counties on the number of families and children who are on county waiting lists for low-income child care. Information on the families on the waiting list identifies the following three priority groups: (a) teen parents; (b) families who formerly received AFDC benefits, but not within the last 12 months; and (c) families with income up to 50% of the state's median income level. In addition, for the last two surveys (March, 1996 and September, 1996), counties were asked to estimate the number of families with income at or above 165% of the FPL.

Tabulation of the September, 1996, survey results is not yet complete; however, preliminary results indicate that the size of the waiting list is similar to that in the March, 1996, survey. In March, 1996, there were 6,061 families with 9,693 children on county waiting lists for low-income child care. Of the 6,061 families on the waiting lists: (a) approximately half have income below 50% of the state median (approximately 150% of the FPL for a family of three); (b) approximately 4% are teen parents; and (c) approximately 4% formerly received AFDC benefits, but not within the last 12 months. The survey results imply that approximately 40% of the families on the waiting lists have income above 50% of the state median (approximately 150% of the FPL for the more typical family size).

The survey includes information on families that were receiving low-income child care subsidies. In March, 1996, there were 4,089 families with 6,539 children that were receiving low-income child care subsidies. Most of the families (3,800) were using child care in order to work, while a limited number of families (289) were using child care for seeking work and training. Finally, county estimates of the percentage of families with income above 165% of the FPL that were receiving low-income child care subsidies varied significantly, with the most frequently reported percentage falling in the range of 15% to 25%.

A number of assumptions must be made in order to estimate the costs of providing child care to persons on the waiting lists. Using the limited information in the March, 1996, survey and the assumption that 30% of families on waiting lists have income above 165% of the FPL, there would be an estimated 4,243 families with 6,785 children that would qualify for low-income child care under the new eligibility rules. In addition, it is assumed that the average cost of child care would be \$320 per month. Finally, an assumption must be made on the copayment schedule that will be used. It is expected that the Governor's Workgroup on Child Care will recommend a final copayment schedule this week, but the specific schedule is not known at this time. Since

the 20% discount option was the last specific schedule and will serve as the basis for the final recommendation, it will be used as the basis for the estimate.

Because it would take some time to provide additional child care services, the cost to eliminate the waiting list in 1996-97 would be less than the annualized cost. If it is assumed that child care services are started on January 1, 1997, for everyone on the waiting list, there would be six months of costs, which would total approximately \$12 million. If the expansion occurred later, the cost would be less (approximately \$2.0 million for each month of delay). Due to the limitations of the survey data, this estimate must be considered speculative.

Based on this estimated cost of \$12 million, the proposed increase of \$20 million for low-income child care subsidies would be sufficient to eliminate the waiting list, and would provide a surplus of \$8 million above the estimated funding necessary to eliminate the waiting list.

One other factor warrants consideration. It is possible that other families not currently on the waiting lists may apply for child care once inroads are made on the current lists and individuals are not faced with a long line for child care services. As an example of changes that have occurred in the waiting list, in September, 1995, there were 6,523 children on county waiting lists, compared to 9,693 as of March, 1996. This represents an increase of 3,170 children, or 49% over a six-month period. However, preliminary results from the September, 1996, survey suggest that the size of the waiting list is about the same as in March, 1996.

MAINTENANCE OF EFFORT REQUIREMENTS

Under the new federal law, beginning in federal fiscal year 1998, the basic TANF grant will be reduced by the amount, if any, by which qualified state expenditures for public assistance programs in the previous year are less than the maintenance of effort (MOE) requirement. The MOE requirement is 75% of historic state expenditures if the state meets the federal mandatory work requirements or 80% if the state does not meet these requirements. "Historic state expenditures" generally means FFY 1994 expenditures for AFDC, JOBS, AFDC-emergency assistance, AFDC-related child care and at-risk child care.

If the TANF grant is reduced in a fiscal year under this provision, the state must expend additional state revenues in the following year equal to the amount of the reduction. As outlined in the Appendix, states also must incur a specified level of child care expenditures in order to obtain federal matching funds for child care.

The administration believes that the state will meet the federal work participation requirements and that the 75% maintenance of effort provision will apply. This results in required state expenditures of \$169.2 million annually to meet the TANF requirement. In addition, the state must spend \$11.2 million on child care assistance in order to obtain federal matching funds, for a total state contribution of \$180.4 million. Under the Governor's proposal,

the administration has identified qualified state expenditures of approximately \$183.0 million in 1996-97, which would exceed the MOE requirement by \$2.6 million.

Under 1995 Wisconsin Act 27 (the 1995-97 biennial budget), the following amounts were placed into the Committee's program supplements appropriation: (a) \$1,587,000 GPR in 1995-96 and \$1,796,600 GPR in 1996-97 for the CARES computer system; and (b) \$1,007,600 GPR in 1995-96 and \$1,015,500 in 1996-97 for AFDC-related child care services and administration. In addition, under Act 289, \$13,000,000 GPR was added to the Committee's appropriation for W-2 start-up costs. To date, these funds (which total \$18,406,300 GPR) have not been transferred from the Committee's appropriation.

Although it is estimated that the state will have qualified expenditures in excess of the MOE requirement, it is uncertain whether all of the state expenses identified by the administration may be counted toward the MOE requirement. Therefore, the Governor requests the Committee to continue to reserve the \$18.4 million of funding in its appropriation in case state spending needs to be increased in other areas to meet the maintenance of effort requirement. No action by the Committee is required for this portion of the request.

Two other points should be noted. First, the administration is attempting to determine whether state expenditures for other programs, such as the earned income tax credit and the homestead tax credit, may be included in the MOE calculation. Inclusion of some or all of these expenditures would make it easier to meet the MOE requirement. Second, if the state does not meet the federal work participation requirements, the TANF maintenance of effort requirement would be 80%, which would increase the total state contribution (including child care matching funds) from \$180.4 million to \$191.7 million.

IMPACT ON GENERAL FUND APPROPRIATIONS

The maintenance of effort provisions outlined above have the effect of limiting the options that the administration and the Committee can consider in expending the federal TANF funds. As noted, based on current estimates, it appears that the Governor's proposal includes state funding levels that exceed the MOE requirement by \$2.6 million. If state appropriations were reduced by more than \$2.6 million, it is possible that the state would no longer be in compliance with the MOE requirement, which could result in financial penalties in FFY 1998. That is why the proposal is structured so that all of the current state appropriations are expended in 1996-97 and the \$85.0 million unexpended balance is comprised entirely of federal TANF funds. In contrast, if the MOE provision did not exist, the federal revenues could be spent first and state GPR appropriations could be reduced by \$85.0 million, to the benefit of the state general fund.

This effect should be noted in considering alternatives to the Governor's request. If the funding amounts recommended by the Governor are reduced significantly, it appears that the resulting excess funds would have to be reallocated in 1996-97 for qualified TANF expenditures or carried over to the next biennium to be used for such expenditures. It appears that any savings

generated by reducing the Governor's proposed expenditure amounts could not be used to fund property tax relief programs or other expenditures not related to the TANF provisions. Likewise, it appears that the \$85.0 million balance may be used only for qualified TANF expenditures.

As noted, it is currently uncertain as to which costs may be included for the MOE provision. The Department indicates that a final determination will not be available for several months. Therefore, the Committee may wish to direct DWD or DOA to notify the Committee when this information is available.

USE OF THE 1996-97 ENDING BALANCE

As shown in Table 1, there would be \$85.0 million in unexpended federal TANF funds at the end of 1996-97 under the Governor's proposal. The administration indicates that some of these monies would be used in the next biennium to fund child care assistance and child welfare programs. Federal law permits states to transfer up to 30% of their TANF funds to carry out state programs under the child care development block grant and the social service block grant (SSBG). Up to one-third of such funds (10%) may be transferred to the SSBG. Amounts transferred to the SSBG must be used for families with incomes that do not exceed 200% of the federal poverty line. On an annualized basis, the state TANF block grant will be \$318.2 million. Therefore, each year, \$95.5 million could be transferred for child care and the SSBG, of which \$31.8 million could be used for the SSBG.

Under the Governor's proposal, \$25 million of TANF funds would be expended for child care in 1996-97; the administration anticipates that use of the TANF funds for child care will continue in the next biennium. The funding of child welfare programs in the 1997-99 biennium would be accomplished by transferring a portion of the federal TANF funds to the federal SSBG. The transferred federal funds would be used in place of GPR funding for community aids (which are partially funded by the SSBG). The GPR could then be used to help fund the state takeover of child welfare services in Milwaukee County.

As an alternative to these purposes, the federal TANF funds could be used in the 1997-99 biennium to increase the amount of cash grants under the W-2 program to adjust for the increase in the federal minimum wage. Under federal law, the hourly minimum wage will be increased in two steps: (a) from \$4.25 to \$4.75, effective October 1, 1996; and (b) from \$4.75 to \$5.15, effective September 1, 1997. Under Act 289, individuals in transitional placements will be required to participate in work activities (including certain counseling and treatment activities) for up to 28 hours per week and will receive a monthly cash grant of \$518 (which is approximately equal to 28 hours per week at \$4.25 per hour). Participants in community service jobs (CSJs) will be required to work up to 30 hours per week and will receive a cash grant of \$555 per month (which is approximately equal to 30 hours per week at \$4.25 per hour). An hourly sanction of \$4.25 will be imposed for failure to participate in required activities.

The monthly grant amounts for transitional placements and CSJs could be increased to \$628 and \$673, respectively, to account for the increase in the federal minimum wage to \$5.15. The hourly sanction amount could also be increased to \$5.15. Based on the Department's current caseload estimates, this option would cost approximately \$25 million annually. As noted, funding for the W-2 program will be appropriated in the next 1997-99 biennial budget bill. A proposal to increase the cash grants under W-2 would require a change to state law.

The Legislature could consider a number of other options relating to public assistance and child care programs during deliberations of the 1997-99 biennial budget bill.

CURRENT OPTIONS THAT MAY BE CONSIDERED BY THE COMMITTEE

The expenditures included in the Governor's proposal appear to be consistent with the federal TANF provisions. However, the Committee may wish to modify the proposal.

Child Care Copayments. A recent concern has been the level of copayments for child care. Although it appears that the Governor's Workgroup will recommend copayments that are much lower than those originally anticipated under the W-2 program, the recommended copayments will still be significantly higher than under current law. In order to provide the Legislature an opportunity to review and modify the new copayment schedule during the biennial budget, the Committee could specify that the current copayment schedule for child care be maintained for the remainder of this fiscal year. As indicated earlier, the proposed increase of \$20.0 million for low-income child care should be sufficient to eliminate the waiting list using the copayments under the 20% Discount Option and, in addition, generate an \$8.0 million surplus. The cost to eliminate the waiting list at the lower current law copayment rates would require an additional \$5 million, which would still leave a surplus of \$3 million.

Although it is not possible to quantify, it may be reasonable to expect that, as the size of the waiting list is reduced, other eligible families may come forth when there is not a long waiting time for assistance. Census data suggests that the potential number of eligible families far exceeds the size of the waiting list. If it was felt that it is important to insure that all potential demand for child care services could be met, an additional \$5 million could be added for funding of low-income child care.

A disadvantage of maintaining the current copayment schedule is that the higher subsidies in this fiscal year would leave less funding that could be carried forward to the next biennium for the costs of fully implementing W-2. Since there is significant uncertainty on the caseloads for W-2, unexpected costs may arise in implementing W-2 in 1997-99.

Other Adjustments. As noted, it appears that funding for AFDC benefits should be increased by \$2.4 million over the Governor's proposal, funding for kinship care assessments could be decreased by \$0.9 million and funding of \$0.5 million for state administration was inadvertently omitted from the Governor's request. These three adjustments would increase the

amount of funding by \$2.0 million over the Governor's proposal and decrease the balance that could be carried forward to the 1997-99 biennium from \$85.0 million to \$83.0 million.

ALTERNATIVES

1. Approve the Governor's proposal for expenditure of the federal TANF and child care block grants, along with existing state appropriations for public assistance programs, in 1996-97, as outlined in Table 1.

2. Modify the Governor's request to:

a. Increase funding for AFDC benefits by \$2,415,100. This option reflects a decrease in funding due to lower caseloads and benefit levels, offset by an increase in funding due to a revision in the availability of the federal share of the child support collections on behalf of AFDC families. With this change, funding for AFDC benefits would increase from \$222,584,900 to \$225,000,000.

b. Decrease funding for kinship care assessments by \$876,800, based on a reestimate of the cost of conducting the assessments. With this change, kinship care funding would decrease from \$1,851,100 to \$974,300.

c. Increase funding for state administration by \$482,900 to include current funding for fraud and front-end verification that was inadvertently omitted from the Governor's request. With this change, funding for state administration would increase from \$21,494,700 to \$21,977,600.

3. Direct the Department to retain the current copayment schedule for child care for the remainder of the 1996-97 fiscal year and provide \$41,940,200 for low-income child care. This is the same amount as proposed by the Governor.

4. Direct the Department to retain the current copayment schedule for child care for the remainder of the 1996-97 fiscal year and increase the amount of funding for low-income child care by \$5,000,000. Under this option, funding for low-income child care would increase from of \$41,940,200 to \$46,940,200.

5. Direct DWD and DOA to notify the Committee when information is available regarding which state expenditures may be included under the federal TANF maintenance of effort requirements.

ATTACHMENT 1
Governor's Child Care Workgroup Copayment Option*
20% Discount Between Licensed Care and Certified Care

Income as a Percentage of Federal Poverty Level	Licensed Care - Single Parent Family					Provisional Care - Single Parent Family				
	Number of Children in Care					Number of Children in Care				
	1	2	3	4	5	1	2	3	4	5
<75%	\$20	\$40	\$60	\$80	\$100	\$16	\$32	\$48	\$64	\$80
76-85%	40	60	80	100	120	32	48	64	80	96
86-95%	60	90	120	150	180	48	72	96	120	144
96-105%	80	110	140	170	200	64	88	112	136	160
106-115%	100	130	160	190	220	80	104	128	152	176
116-125%	120	150	180	210	240	96	120	144	168	192
126-135%	140	180	220	260	300	112	144	176	208	240
136-145%	160	200	240	280	320	128	160	192	224	256
146-155%	180	220	260	300	340	144	176	208	240	272
156-165%	200	240	280	320	360	160	192	224	256	288
166-200%	220	260	300	340	380	176	208	240	272	304

Income as a Percentage of Federal Poverty Level	Licensed Care - Two Parent Family					Provisional Care - Two Parent Family				
	Number of Children in Care					Number of Children in Care				
	1	2	3	4	5	1	2	3	4	5
<75%	\$30	\$50	\$70	\$90	\$110	\$24	\$40	\$56	\$72	\$88
76-85%	50	70	90	110	130	40	56	72	88	104
86-95%	70	100	130	160	190	56	80	104	128	152
96-105%	90	120	150	180	210	72	96	120	144	168
106-115%	110	140	170	200	230	88	112	136	160	184
116-125%	130	160	190	220	250	104	128	152	176	200
126-135%	150	190	230	270	310	120	152	184	216	248
136-145%	170	210	250	290	330	136	168	200	232	264
146-155%	190	230	270	310	350	152	184	216	248	280
156-165%	210	250	290	330	370	168	200	232	264	296
166-200%	230	270	310	350	390	184	216	248	280	312

*At the November 25, 1996, meeting of the Governor's Child Care Workgroup, the Workgroup requested staff to modify this copayment schedule to implement a 30% discount for certified care as the final recommendation to the Governor. The Workgroup specified that the licensed care copayments could be increased to achieve this 30% differential.

ATTACHMENT 2

Comparison of Monthly Child Care Copayments Under Current Law, Act 289 and 20% Discount Option¹

Income as % of FPL	Hourly Wage	Monthly Income	Copayments ²						Change Between 20% Discount Option and:			
			Current Law		Act 289		20% Discount Option		Act 289		Current Law	
			Licensed	Provisional	Licensed	Provisional	Licensed	Provisional	Licensed	Provisional	Licensed	Provisional
Single Parent -- One Child -- One in Child Care												
50%	\$2.59	\$432	\$0	\$0	\$30	\$15	\$20	\$16	-\$10	\$1	\$20	\$16
75%	3.88	647	0	0	30	15	20	16	-10	1	20	16
100%	5.18	863	27	27	65	33	70	56	5	23	43	29
125%	6.47	1,079	39	39	192	96	120	96	-72	0	81	57
150%	7.77	1,295	62	62	320	160	170	136	-150	-24	108	74
175% ³	9.06	1,511	174	174	396	198	207	165	-189	-33	33	-9
200% ³	10.36	1,727	279	198	396	198	396	198	0	0	117	0
225% ³	11.65	1,942	396	198	396	198	396	198	0	0	0	0
Single Parent -- Two Children -- One in Child Care												
50%	\$3.24	\$541	\$0	\$0	\$30	\$15	\$20	\$16	-\$10	\$1	\$20	\$16
75%	4.87	811	0	0	30	15	20	16	-10	1	20	16
100%	6.49	1,082	27	27	65	33	70	56	5	23	43	29
125%	8.11	1,352	40	40	192	96	120	96	-72	0	80	56
150%	9.73	1,622	75	75	320	160	170	136	-150	-24	95	61
175% ³	11.36	1,893	180	180	396	198	207	165	-190	-33	27	-15
200% ³	12.98	2,163	292	198	396	198	396	198	0	0	104	0
225% ³	14.60	2,434	396	198	396	198	396	198	0	0	0	0
Single Parent -- Two Children -- Two in Child Care												
50%	\$3.24	\$541	\$0	\$0	\$59	\$30	\$40	\$32	-\$19	\$2	\$40	\$32
75%	4.87	811	0	0	59	30	40	32	-19	2	40	32
100%	6.49	1,082	27	27	130	65	100	80	-30	15	73	53
125%	8.11	1,352	40	40	385	192	150	120	-235	-72	110	80
150%	9.73	1,622	75	75	639	320	210	168	-429	-152	135	93
175% ³	11.36	1,893	180	180	792	396	258	208	-534	-188	78	28
200% ³	12.98	2,163	292	292	792	396	792	396	0	0	500	104
225% ³	14.60	2,434	792	396	792	396	792	396	0	0	0	0

¹At the November 25, 1996, meeting of the Governor's Child Care Workgroup, the Workgroup requested staff to modify this copayment option to implement a 20% discount for certified care as the final recommendation to the Governor. The Workgroup specified that the copayment for licensed care could be increased to achieve this 30% differential, which could result in a 14% increase for licensed care rates.

²It is assumed that licensed care cost is \$396 per child and provisional child care cost is \$198 per child.

³Child care subsidies for families with income above 165% of FPL are (would be) only available to existing recipients of child care subsidies so that new applicants at this income level would have the same copayments (full cost) under all three plans.

ATTACHMENT 2 (cont.)

Comparison of Monthly Child Care Copayments Under Current Law, Act 289 and 20% Discount Option¹

Income as % of FPL	Hourly Wage	Monthly Income	Copayments ²				Change Between 20% Discount Option and:					
			Current Law		Act 289		20% Discount Option		Current Law			
			Licensed	Provisional	Licensed	Provisional	Licensed	Provisional	Licensed	Provisional		
Single Parent -- Three Children -- One in Child Care												
50%	\$3.90	\$650	\$0	\$0	\$30	\$15	\$20	\$16	-\$10	\$1	\$20	\$16
75%	5.85	975	0	0	30	15	20	16	-10	1	20	16
100%	7.80	1,300	27	27	65	33	70	56	5	23	43	29
125%	9.75	1,625	41	41	192	96	120	96	-72	0	79	55
150%	11.70	1,950	81	81	320	160	170	136	-150	-24	89	55
175% ³	13.65	2,275	186	186	396	198	207	165	-190	-33	21	-21
200% ³	15.60	2,600	298	198	396	198	396	198	0	0	98	0
225% ³	17.55	2,925	396	198	396	198	396	198	0	0	0	0
Single Parent -- Three Children -- Two in Child Care												
50%	\$3.90	\$650	\$0	\$0	\$59	\$30	\$40	\$32	-\$19	\$2	\$40	\$32
75%	5.85	975	0	0	59	30	40	32	-19	2	40	32
100%	7.80	1,300	27	27	130	65	100	80	-30	15	73	53
125%	9.75	1,625	41	41	385	192	150	120	-235	-72	109	79
150%	11.70	1,950	81	81	639	320	210	168	-429	-152	129	87
175% ³	13.65	2,275	186	186	792	396	258	208	-534	-188	72	22
200% ³	15.60	2,600	298	298	792	396	792	396	0	0	494	98
225% ³	17.55	2,925	792	396	792	396	792	396	0	0	0	0
Single Parent -- Three Children -- Three in Child Care												
50%	\$3.90	\$650	\$0	\$0	\$89	\$45	\$60	\$48	-\$29	\$3	\$60	\$48
75%	5.85	975	0	0	89	45	60	48	-29	3	60	48
100%	7.80	1,300	27	27	195	98	130	104	-65	6	103	77
125%	9.75	1,625	41	41	577	289	180	144	-397	-145	139	103
150%	11.70	1,950	81	81	959	479	250	200	-709	-279	169	119
175% ³	13.65	2,275	186	186	1,188	594	300	240	-888	-354	114	54
200% ³	15.60	2,600	298	298	1,188	594	1,188	594	0	0	890	296
225% ³	17.55	2,925	1,188	594	1,188	594	1,188	594	0	0	0	0

¹At the November 25, 1996, meeting of the Governor's Child Care Workgroup, the Workgroup requested staff to modify this copayment option to implement a 20% discount for certified care as the final recommendation to the Governor. The Workgroup specified that the copayment for licensed care could be increased to achieve this 30% differential, which could result in a 14% increase for licensed care rates.

²It is assumed that licensed care cost is \$396 per child and provisional child care cost is \$198 per child.

³Child care subsidies for families with income above 165% of FPL are (would be) only available to existing recipients of child care subsidies so that new applicants at this income level would have the same copayments (full cost) under all three plans.

APPENDIX

1996 FEDERAL WELFARE REFORM LEGISLATION

The following sections outline major provisions of the federal welfare reform legislation in P.L. 104-193.

Federal Funding Sources

Basic TANF Block Grant. The primary federal funding source is the basic temporary family assistance grant, which is based on federal revenues provided to states under the AFDC and JOBS programs in recent years. Federal law provides three alternative methods of calculating a state's TANF grant; however, in most states (including Wisconsin) the grant will be based on federal expenditures for these programs in federal fiscal year 1995. The basic TANF grant is first available in FFY 1996. The federal legislation includes transition provisions for calculating pro-rated grant amounts in FFY 1996 and 1997, as states convert to the new program. After those years, the full amount will be provided in each year through FFY 2002.

Wisconsin's TANF grant will be \$318.2 million per year. In state fiscal year 1996-97, a pro-rated amount of \$273.3 million is provided for the period beginning August 22, 1996 and ending June 30, 1997. Federal matching funds were available for expenditures prior to August 22.

Bonus for High Performing States. States that are most successful in meeting the purposes of the block grant program will be eligible for a supplemental grant of up to 5% of the basic TANF grant (\$15.9 million in Wisconsin). The formula for measuring performance and determining eligibility for the bonus funding will be developed by the federal Department of Health and Human Services (HHS) in consultation with the National Governors Association and the American Public Welfare Association. The grants will be available beginning in FFY 1999.

Bonus For Reducing Out-of-Wedlock Births. Federal law also provides, beginning in FFY 1999, a bonus grant of \$20 million each for the five states that demonstrate the greatest decrease in out-of-wedlock births during the most recent two-year period without increasing the rate of induced pregnancy terminations over the rate in FFY 1995. If fewer than five states qualify, the grant amount will be increased to \$25 million.

Supplemental Funding. Certain states which have lower than average federal welfare spending per poor person or higher than average population growth may also receive supplemental grants beginning in FFY 1998. The Congressional Research Service estimates that Wisconsin will not qualify for this supplemental funding.

Contingency Fund. A contingency fund of \$2 billion is established for FFY 1997 through 2001 to provide matching grants to states with high and rising unemployment or significant increases in food stamp participation. Eligible states may receive contingency payments totalling 20% of the TANF grant in any single year. To receive a grant, the state must submit a request to HHS; payments must be made to states in the order requests are received. States must maintain 100% of historic state welfare spending during years when a contingency payment is made or must repay an amount reflecting the shortfall. In addition, states must share in the costs of contingency funds at their FFY 1996 medicaid matching rate.

Federal Loans for State Welfare Programs. The federal law also permits HHS to make loans to states which have not been sanctioned for misspending block grant funds. The loans may be used only for purposes for which a TANF grant may be used. The loans are to mature in three years, at the latest, and interest will be charged at a rate equal to the current average yield on outstanding marketable U.S. obligations with comparable remaining maturity periods. The cumulative amount that may be borrowed by a state from FFY 1997 through 2002 may not exceed 10% of the state's basic TANF block grant. The total amount of outstanding loans for all states may not exceed \$1.7 billion.

Child Care Funding. The federal legislation consolidates the previous AFDC-related and at-risk child care programs with the child care development block grant. Under the new law, three sources of federal child care funding are provided to states: a mandatory base allocation, mandatory matching funds and discretionary funds. The base allocation is based on previous child care expenditures under the AFDC and at-risk child care programs. No state match or maintenance of effort is required for the base allocation.

Matching funds are available for states that have expended the federal base allocation and state funds at least equal to the greater of FFY 1994 or 1995 expenditures for AFDC-related and at-risk child care. Matching funds are distributed to states based on the proportion of children in the state under age 13 and must be matched with state revenues at the medicaid financial participation rate for FFY 1995 (approximately 40% in Wisconsin).

Discretionary funds are allocated to states based on the formula that was used for the child care development block grant, which takes into account the state's share of population under age six, share of children receiving free or reduced-price school lunches and per capita income. Federal child care funding for Wisconsin is estimated to be \$51.3 million in the 1996-97 state fiscal year. Unlike the basic TANF block grant, child care funding will increase over time, because additional matching funds will be provided in later years.

State TANF Plan Requirements

In order to be eligible for a TANF block grant, a state must submit a plan to HHS that includes a written document describing how the state will conduct its statewide TANF program. The plan must be submitted during the two-year period immediately preceding the federal fiscal

year in which the grant will be provided. The initial plan must be submitted by July 1, 1997. Among other provisions, the plan must:

1. Set forth objective criteria for delivery of benefits and determinations of eligibility, and for fair and equitable treatment, including an explanation of how the state will provide opportunity for adversely affected recipients to be heard in a state administrative or appeal process;
2. Indicate how the state will require parents or caretakers receiving assistance to engage in work, as defined by the state, once such individuals have received assistance for 24 months (or earlier at state option) and how the state will ensure that parents and caretakers engage in required work activities;
3. Indicate whether the state intends to treat families moving into the state differently from current state residents and whether the state intends to aid noncitizens; and
4. Provide that the state will establish goals and take action to prevent and reduce the incidence of pregnancies outside marriage.

State plans also must include certifications that the state has established standards to ensure against fraud and abuse and that the state will: (a) operate a child support enforcement program; (b) operate a foster care and adoption assistance program and ensure medical assistance for the children; and (c) provide Indians with equitable access to assistance. In addition, the plan must specify which state agency or agencies will administer and supervise the state plan and provide assurances that local governments and private organizations have been consulted and had at least 45 days to submit comments on the plan.

Use of Federal TANF Block Grants

Subject to several limitations, states may use TANF grants in any manner that is reasonably calculated to accomplish the purposes of the federal legislation, including activities previously authorized under the AFDC and JOBS programs, or to provide low-income households with assistance in meeting home heating and cooling costs. Federal law specifically permits states to use TANF funds to make payments or provide job-placement vouchers to state-approved public and private agencies that provide employment services to recipients of cash aid.

States may not use TANF grants to provide assistance to a family unless the family includes: (a) a minor child who resides with a custodial parent or other adult caretaker relative of the child; or (b) a pregnant individual. "Minor child" means an individual under the age of 18 or an individual who is under age 19 and is a full-time student in a secondary school (or in the equivalent level of vocational or technical training).

States may not use more than 15% of the TANF grant for administration. However, this restriction does not apply to spending for information technology and computerization needed to implement required tracking and monitoring activities. Subject to certain limitations, states may transfer up to 30% of their TANF funds to carry out state programs under the social services block grant or the child care block grant. States also may reserve federal TANF funds provided in a fiscal year for the purpose of providing assistance under these provisions in another fiscal year.

States may apply program rules and benefit levels of the state from which a family moved if the family has lived in the new state of residence for fewer than 12 months.

States may use TANF grants to fund individual development accounts established by or on behalf of individuals who are eligible for TANF assistance to accumulate funds for post-secondary education expenses (paid directly to an eligible educational institution), qualified acquisition costs for first-time home buyers or contributions to business capitalization accounts.

Use of Federal Child Care Funding

States must use at least 70% of basic child care funding and federal matching funds to provide child care assistance to welfare recipients, individuals in work programs and attempting to leave welfare and individuals who are at risk of going on welfare. Federal law also requires 4% of total child care funding to be used for activities to improve the quality and availability of care, including consumer education for parents and the public, resource and referral services and activities that increase parental choice. In addition, certain administrative expenses may not exceed 5% of total federal child care funds. States must submit two-year plans, in conformance with federal requirements, outlining how child care programs will be administered.

State Maintenance of Effort Requirements

Beginning in FFY 1998, the basic TANF grant will be reduced by the amount, if any, by which qualified state expenditures for the previous fiscal year are less than the maintenance of effort requirement for the previous year. The maintenance of effort requirement is 75% of historic state expenditures if the state meets the mandatory work requirements or 80% if the state does not meet these requirements. "Historic state expenditures" generally means FFY 1994 expenditures for AFDC, JOBS, AFDC-emergency assistance, AFDC-related child care and at-risk child care.

"Qualified state expenditures" means the total state expenditures during a fiscal year under all state programs for the following types of assistance for families that are eligible for TANF assistance and families that would be eligible but for the application of the 60-month time limit or the treatment of noncitizens: (a) cash assistance and child care assistance; (b) educational activities (excluding most expenditures for public education) designed to increase self-sufficiency, job training and work; (c) administrative costs associated with providing these types of assistance,

capped at 15% of total qualified state expenditures; and (d) any other use of funds allowed under the TANF provisions.

Qualified expenditures exclude funds transferred from state or local programs except those that exceed the amount expended in FFY 1996 or those for which the state is entitled to a federal payment under former AFDC or JOBS provisions. Qualified state expenditures also exclude amounts made available by the federal government and any state funds which are: (a) expended under the medicaid program; (b) used to match federal funds; or (c) expended as a condition of receiving federal funds from other programs (except for certain child care expenditures).

Mandatory Work Requirements

Work Participation Requirements. As noted, the state plan must assure that parents or caretakers receiving assistance will be required to engage in work once such individuals have received assistance for 24 months, or earlier at state option.

Federal law also includes targets that states must meet in placing TANF recipients into employment activities. Specifically, states must ensure that 25% of all families receiving assistance are participating in work activities in FFY 1997. The participation requirement is increased by 5% in each fiscal year until 50% participation is required in 2002 and thereafter. In addition, states must ensure that 75% of two-parent families receiving assistance are participating in work activities in FFY 1997 and 1998. The participation requirement increases to 90% in 1999 and thereafter.

In calculating work participation rates, states may exclude families that have recently been sanctioned for refusal to work (families that are subject to a penalty in the current month but have not been sanctioned for more than three months in the preceding 12-month period). States also have the option of including or excluding families in the state that are receiving assistance under an approved tribal family assistance plan.

A state's work participation requirements for a year will be reduced by one percentage point for each percentage point that the average monthly caseload in the previous year is below the monthly average AFDC caseload in FFY 1995. In determining these reductions, HHS may not take into account caseload decreases required by federal law or decreases that result from changes in state eligibility criteria. Based on unadjusted caseload data through September, 1996, it appears that the total reduction from FFY 1995 is 17.1% (15.5% for AFDC-R and 35.5% for AFDC-U). These figures will be used to adjust the participation requirement for FFY 1997.

States also have the option of not requiring single, custodial parents who are caring for a child under 12 months of age to engage in work. Such individuals may be disregarded in calculating the participation rates for not more than 12 months.

Definition of "Engaged in Work". The federal definition of "engaged in work" includes a broad range of activities, and the required hours of participation differ depending upon family size and composition.

Qualified Activities. Under federal law, work activities may include: unsubsidized employment; subsidized employment; on-the-job training; job search and job readiness (generally not to exceed six weeks or four consecutive weeks); community service programs; vocational educational training (not to exceed 12 months for any individual); job skills training directly related to employment; and the provision of child care services to participants in community service. Recipients who have not completed secondary school may attend secondary school or a course of study leading to a certificate of general equivalence or may participate in other educational activities directly related to employment.

General Participation Requirement. A recipient is considered to be engaged in work for a month if he or she is participating in the work activities listed above for at least 20 hours per week in FFY 1997 and 1998, 25 hours in 1999 and 30 hours in 2000 and thereafter. In each year, at least 20 hours per week must be attributable to activities other than certain education and training activities. For single parents of children under age six, the 20-hour work requirement will not increase after FFY 1998.

Two-Parent Families. Individuals in two-parent families are considered to be engaged in work for a month if the individual is making progress in the work activities listed above for at least 35 hours per week. At least 30 hours per week must be attributable to activities other than specified education and training activities. In addition, the individual's spouse must be making progress in certain work activities, if the family receives federally-funded child care assistance and an adult in the family is not disabled or caring for a severely disabled child.

Teen Parents: School Attendance. A single parent under age 20 is deemed to be engaged in work a month if the individual: (a) maintains satisfactory attendance at secondary school or the equivalent during the month; or (b) participates in education directly related to employment for at least the minimum number of hours per week specified above (20 hours in FFY 1997 and 1998, 25 hours in 1999 and 30 hours in 2000 and thereafter).

Limit on Vocational Education and Teen Parents Attending School. In calculating the participation rates, not more than 20% of individuals in all families and in two-parent families may be determined to be engaged in work by reason of participation in vocational educational training or by reason of the school attendance provision for teen parents. The 20% limit applies to both of these participation categories combined.

Penalties Against Individuals for Nonparticipation. In general, if a TANF recipient refuses to engage in required work activities, the state must reduce the amount payable to the family on a pro-rated basis (or more at state option) or terminate such assistance, subject to good cause and other exceptions as the state may establish. However, a state may not reduce or terminate

assistance based on a refusal to work for a single custodial parent caring for a child under age six, if the individual has a demonstrated inability to obtain needed child care.

Financial Penalties on States

Federal law imposes financial penalties (generally up to 5% of the basic TANF block grant) on states that fail to comply with various provisions of the TANF legislation. These violations include misuse of TANF funds; failure to submit required reports; failure to satisfy work participation requirements; failure to verify income and eligibility; failure to comply with paternity establishment and child support enforcement requirements; failure to repay a federal welfare loan; failure to comply with the 60-month time limit; failure to meet the 100% maintenance of effort requirement for states receiving contingency funds; and failure to assist families that cannot obtain adequate child care.

In general, a sanction may not be imposed on a state if HHS determines that the state had reasonable cause for failing to comply with the requirement. However, this does not apply to penalties for failure to comply with the general maintenance of effort requirement or failure to substantially comply with federal requirements for state child support enforcement programs.

Before a penalty may be imposed on a state, HHS must notify the state of the violation and allow the state the opportunity to enter into a corrective compliance plan which outlines how the state will correct the violation and ensure continuing compliance. This provision applies to all of the violations outlined above, except failure to repay a federal welfare loan. Federal law also includes a procedure by which states can appeal adverse decisions by HHS regarding the TANF program.

If a state's basic TANF grant is reduced in a fiscal year as a result of one of the penalties described above, the state must replace the penalized funds in the following fiscal year using state revenues. The total amount of penalties imposed on a state may not reduce any quarterly payment of the state's TANF grant by more than 25%. If this limitation prevents HHS from recovering the full penalty in a fiscal year, the remaining sanction may be carried forward into the immediately following fiscal year.

Other TANF Provisions

60-Month Time Limit. In general, assistance may not be provided if the family includes an adult who has received assistance under any state TANF program for 60 months (whether or not consecutive). This provision may not be interpreted to require any state to provide assistance to any individual for any period of time under a state TANF program. States may exempt families from the 60-month time limit by reason of hardship or if the family includes a member who has been battered or subjected to extreme cruelty. The number of exemptions allowed under this provision in a fiscal year may not exceed 20% of the average monthly number of families receiving assistance in that year.

In calculating the number of months that a parent or pregnant individual has received assistance, the state must disregard any month for which assistance was provided while the individual was a minor child and not the head of a household or married to the head of a household. States also must disregard months during which the adult lived on an Indian reservation or Alaskan Native Village if the reservation or village had at least 1,000 residents and at least 50% of the adult residents were unemployed.

States may expend state funds not originating with the federal government on benefits for children or families that have become ineligible for TANF assistance by reason of the 60-month time limit.

School Attendance Sanctions. States are permitted, but not required, to sanction a family that includes an adult who has received assistance under the TANF or food stamp programs if the adult fails to ensure that his or her minor dependent children attend school as required by state law. States are also permitted to sanction a family that includes an adult who is older than age 20 and younger than age 51 if the adult does not have (or is not working toward attaining) a secondary school diploma or its equivalent. A sanction may not be imposed if the adult has been determined in the judgement of medical, psychiatric or other appropriate professionals to lack the requisite capacity to successfully complete such a course of study.

Noncooperation With Paternity Establishment or Child Support. If it is determined that an individual is not cooperating with the state in establishing paternity or in establishing, modifying or enforcing a support order with respect to the individual's child, the state must reduce the amount of assistance provided by at least 25%. States may reduce the grant by more than 25% or deny the family any assistance. This provision does not apply if the individual qualifies for any good cause or other exception established by the state.

Assignment of Child Support. As a condition of eligibility for assistance, states must require family members to assign to the state any rights the family member may have to child support or spousal support, not to exceed the total amount of assistance provided. States may not require the assignment of support that accrues after the date the family leaves the program. A portion of child support collected on behalf of families that are receiving TANF assistance must be paid to the federal government, based on the federal financial participation rate for medicaid (approximately 60%).

Assistance for Teen Parents. States may not use TANF grants to provide assistance to an unmarried individual under age 18 who has a minor child at least 12 weeks old in his or her care unless the individual: (a) has successfully completed a high school education (or its equivalent); or (b) participates in educational activities directed toward attainment of a high school diploma or its equivalent or in an alternative educational or training program that has been approved by the state. Federal law also requires teen parents receiving assistance to live with their parents or in an approved, adult-supervised setting.

Transitional Medical Assistance Coverage. As under prior law, transitional medicaid coverage must be provided for 12 months for TANF recipients who lose eligibility for cash assistance due to increased earnings and for four months for recipients who become ineligible for cash assistance due the receipt of child or spousal support. In order to be eligible for transitional medicaid, the family must have received cash assistance in at least three of six months before the month in which they became ineligible.

Direct Funding and Administration by Indian Tribes. Federal law requires HHS to pay to each Indian tribe that has an approved tribal assistance plan a tribal family assistance grant, based on federal payments under the AFDC and JOBS programs in FFY 1994 for Indian families residing in the service area identified by the tribe. The TANF grant for any state in which a tribal service area lies must be reduced by the portion of the tribal grant that is attributable to expenditures by the state.

HHS may also make grants to eligible tribes in an amount equal to the amount received by the tribe under the JOBS program in FFY 1994. In order to be eligible, a tribe must have conducted a tribal JOBS program in FFY 1995. The grants must be used to operate a program to make work opportunities available to tribal members. In addition, HHS must allocate not less than 1% and not more than 2% of total child care funding to Indian tribes.

HHS must establish, with the participation of Indian tribes, minimum work participation requirements, time limits for receipt of benefits and penalties for noncompliance of recipients for each tribe receiving a tribal assistance grant or a grant for tribal employment programs. These provisions must be consistent with the purposes of the tribal assistance program, consistent with the economic conditions and resources available to each tribe and similar to the penalty provisions used by state programs.

Other Provisions of P.L. 104-193

In addition to the TANF and child care provisions described above, the federal legislation includes significant modifications relating to food stamps and child nutrition, supplemental security income (SSI) for children, child support enforcement, benefits for legal immigrants and the social services block grant. A comprehensive description of the impact of the federal legislation on these programs is beyond the scope of this paper. However, a number of sources, including Commerce Clearing House, the Congressional Research Service, the National Governors' Association, the National Conference of State Legislatures and the American Public Welfare Association, have prepared detailed summaries and analyses of P.L. 104-193.

①

MO# Alt. 2 a

2 BURKE	5 (Y)	N	A
ANDREA	Y	N	(A)
GEORGE	Y	N	(A)
DECKER	(Y)	N	A
JAUCH	(Y)	N	A
WINEKE	(Y)	N	A
WEEDEN	(Y)	N	A
COWLES	(Y)	N	A
BRANCEL	(Y)	N	A
FOTI	(Y)	N	A
SCHNEIDERS	(Y)	N	A
OURADA	(Y)	N	A
HARSDORF	(Y)	N	A
PORTER	(Y)	N	A
LINTON	Y	N	(A)
COGGS	(Y)	N	A

AYE 13 NO 0 ABS 3

②

MO# Alt. 4

2 BURKE	(Y)	N	A
ANDREA	Y	N	(A)
GEORGE	Y	N	(A)
DECKER	(Y)	N	A
JAUCH	(Y)	N	A
1 WINEKE	(Y)	N	A
WEEDEN	Y	(N)	A
COWLES	Y	(N)	A
BRANCEL	Y	(N)	A
FOTI	Y	(N)	A
SCHNEIDERS	Y	(N)	A
OURADA	Y	(N)	A
HARSDORF	Y	(N)	A
PORTER	Y	(N)	A
LINTON	Y	N	(A)
COGGS	(Y)	N	A

AYE 5 NO 8 ABS 3

③

MO# Jauch motion
for day care press

2 BURKE	(Y)	N	A
ANDREA	Y	N	(A)
GEORGE	Y	N	(A)
DECKER	(Y)	N	A
1 JAUCH	(Y)	N	A
WINEKE	(Y)	N	A
WEEDEN	(Y)	N	A
COWLES	(Y)	N	A
BRANCEL	(Y)	N	A
FOTI	(Y)	N	A
SCHNEIDERS	(Y)	N	A
OURADA	(Y)	N	A
HARSDORF	(Y)	N	A
PORTER	(Y)	N	A
LINTON	Y	N	(A)
COGGS	(Y)	N	A

AYE 13 NO 0 ABS 3MO# 5007

BURKE	(Y)	N	A
ANDREA	Y	N	(A)
GEORGE	Y	N	(A)
DECKER	(Y)	N	A
JAUCH	(Y)	N	A
WINEKE	(Y)	N	A
WEEDEN	Y	(N)	A
COWLES	Y	(N)	A
BRANCEL	Y	(N)	A
FOTI	Y	(N)	A
SCHNEIDERS	Y	(N)	A
OURADA	Y	(N)	A
HARSDORF	Y	(N)	A
PORTER	Y	(N)	A
LINTON	Y	N	A
COGGS	(Y)	N	A

AYE 5 NO 8 ABS 3

Direct dept. to notify JFC
when waiting lists occur (or if they anticipate)
for day care.

WORKFORCE DEVELOPMENT

Expenditure of Federal TANF Funds

Motion:

Specify that unexpended federal funds under the temporary assistance to needy families (TANF) program may be used only to fund benefits and administration of the Wisconsin Works program and the AFDC and child care programs and may not be used to directly or indirectly supplant existing state appropriations.

Note:

Under the Governor's proposed expenditure plan for 1996-97, an estimated ending balance of \$85 million in federal TANF funds would be carried over to the 1997-99 biennium. This motion would specify that unexpended funding from the TANF block grant could not be used to supplant existing state appropriations.